

EXHIBIT – 5 –

Inc.

NEWSLETTERS

SUBSCRIBE



ICONS & INNOVATORS

Exclusive: 20 Business Owners Claim There's a Dark Side to Marcus Lemonis's Reality TV Show 'The Profit'

Many small-business owners who have appeared on CNBC's *The Profit* allege that Marcus Lemonis preys on the very companies he's claiming to save. [🔗](#)

BY WILL YAKOWICZ @WILLYAKOWICZ



Zohar Lazar

On an early May evening, a white Tesla X, its falcon-wing doors hanging in the air, is parked on the cobblestones in New York's meatpacking district in front of a new luxury women's clothing store called Marcus. A deejay is pumping electronic dance music from a set of turntables inside the Hamptons-white boutique, while women who are game to spend \$200 on a sweatshirt pulse around the store's owner and this evening's host, Marcus Lemonis.

Dressed in a tight-fitting black leather jacket and dark blue jeans, Lemonis is by now a practiced celebrity. He's stationed behind a velvet rope, ready for the drill: Put your arms around a group of fans, smile for the camera, and make a silly face for the second picture. Shake hands or hug; say something funny; on to the next fan. Every few seconds, camera flashes illuminate his face.

Lemonis became famous as the multimillionaire businessman and star of CNBC's most popular reality television show, *The Profit*, which follows him as he tries to save struggling small businesses across America with capital, elbow grease, and tough love. Now in its fifth season, Lemonis's show has become the most-watched original series in CNBC's history. Every year, about 40,000 small-business owners apply to get on, with only about a dozen lucky enough to hand their fate over to the Profit himself.

Marcus, the retail concept, is part of an ever-growing portfolio of companies, or investments in companies, that fall under Marcus Lemonis LLC. Lemonis's main gig is as longtime CEO of Camping World, a public company with a \$2.2

recreational vehicles in the U.S. Marcus Lemonis LLC is the umbrella company for over two dozen businesses—most of which have appeared on his show—that deal in food, fashion, furniture, sign making, graphic design, gazebos, coffee, pet supplies, candy, and watches, and is, says Lemonis, worth \$75 million.

Unlike Warren Buffett or Steve Jobs, Lemonis did not amass his fortune by being a genius investor or innovator, but rather by being a great consolidator and negotiator. He's spent the past five years sniffing out other people's concepts and then folding them into his portfolio. Like many of his other successful businesses, Marcus the store—which now has 18 locations—is actually a roll-up of three different women's clothing boutiques he acquired and redesigned under a new brand. Two of them, Courage b and Denim & Soul, appeared on *The Profit* in seasons two and three. Another company, Runway, he encountered when he met its founder, Bobbi Raffel, at a women's fashion trade show in 2016. Raffel eventually sold her business to Lemonis and married him earlier this year. At the Marcus opening, dressed in a snug black dress, Raffel stands next to her new husband, more than 20 years her junior, while Lemonis plays the crowd, throwing his arms around three women, flicking a smile and shouting: "SAMPLE SALE!"



Bobbi and Marcus Lemonis attend the grand opening of Marcus's new Chicago boutique Marcus Gold Coast on April 12, 2018. GETTY IMAGES

In many ways, Lemonis is an unlikely reality TV star. The balding 44-year-old doesn't come from a famous family, and his uniform for years, before going through a makeover, was ill-fitting khakis, a blue sports coat, and baggy button-down shirts. But from the broad strokes of Lemonis's life story—being adopted from an orphanage in Beirut, turning to the mom-and-pop recreational-vehicle market to create a multibillion dollar company, becoming a charismatic multimillionaire—a kind of heroic business archetype emerges.

Lemonis is a believer in, and beneficiary of, the American faith in second chances and reinvention. He has spun that mythos into television gold, acquiring in the process the reputation of a "savior" uniquely able to rescue ailing small businesses, according to *The New York Times*. (And also to *Inc.*, which put him on its September 2014 cover—under the headline "The Fixer"—enlisted him to speak at its conferences in 2014 and 2015, and collaborated with him on a video series.) "I want to prove to people that every single business can be reinvented," Lemonis told *Inc.* in that 2014 cover story. "And I want to prove to myself that I'm good at it."

Lemonis is a believer in, and beneficiary of, the American faith in second chances and reinvention.



For business owners looking for reinvention, reality TV can be a dicey backdrop. Even in the best of circumstances, it's not primarily about the business. "The notion that [reality TV] is a serious investment opportunity is false. It's all for entertainment," says Peter Baldwin, co-founder of frat-bro clothing company Birddogs, who appeared on ABC's *Shark*

Tank earlier this year. Baldwin and his partner were savvy enough to know the deal they had struck--a little humiliation at the hands of the Sharks in exchange for national exposure. The tradeoff was worth it: After the episode aired, Birddogs managed to rake in a quarter-million dollars' worth of sales. "This is not an investor meeting--it's television," Baldwin says. "If you know that and go in with the intention to get your brand's message across, it'll be good."

But many of the entrepreneurs who go on *The Profit* are looking for more than exposure--they are desperate and need a path to survival. *The Profit's* casting website beckons: "If you're in over your head and feel your business is drowning, CNBC can provide you with a lifeline to save your business." Many of the companies that appear on the show are in need of a cash infusion to pay off creditors to stay afloat. Other companies aren't in dire shape and are just looking for capital to expand; some claim they were recruited by the show's producers.

Lemonis is able to attract these struggling business owners by positioning himself as the hero for the little guy, and, yes, to also make a little money for himself. "I think there are better ways for Marcus to make money than to work with distressed businesses; it's a risky proposition, to tell you the truth," says Jim Ackerman, the executive vice president of primetime alternative programming at CNBC, explaining that most of the companies featured on the show have nowhere else to turn. "I would say he operates with transparency, he's an honest guy, and he makes it clear that every deal will not work out."

Many of the owners who have benefited from Lemonis's touch have either been in less precarious positions to begin with, or made sure not to give Lemonis a majority stake in their company. When Richard Emanuele, the founder of Mr. Green Tea, a New Jersey-based ice cream company, appeared on the show in 2013, his company was doing a steady \$1.2 million in revenue. Lemonis invested nearly \$1 million for 25 percent of the business, which is on track to hit over \$15 million in revenue this year. "I would have to attribute most of our growth to Lemonis," says Emanuele. "He gave us new drive." Others, such as the owners of Precise Graphix, Sweet Pete's Gourmet Candy, and Grafton Furniture, have expressed similar sentiments. Perhaps the biggest

success story is Bentley's Pet Stuff. Since Lemonis invested \$40 million in the chain in 2016, it has grown from seven Chicago locations to 95 stores across 12 states, and clocks in nearly \$100 million in revenue. "I can't say enough positive things," says Bentley founder Lisa Senafe. "His insight for growth and planning was priceless to us."

But it turns out there are at least as many founders who say dealing with Lemonis, or being on his show, has damaged them. *Inc.* spoke to 20 such small-business owners. Some feel they were exploited to make entertaining television, while others allege Lemonis took advantage of their lack of business savvy and weak financial positions for his own monetary gain, acting more like a callous private equity investor than a small-business savior. Most of those who spoke to *Inc.* did so on the condition of anonymity because they had signed a nondisclosure agreement with CNBC and the show's production company, Machete, which threatens a \$1 million penalty for breaching the confidentiality terms.

In the past five years, Lemonis has been involved in at least six lawsuits, three of which have stemmed from his deals on *The Profit*. In those three cases, business owners and investors allege a range of misdeeds: breach of fiduciary duty, breach of contract, breach of good faith and fair dealing, fraudulent inducement, unjust enrichment, shareholder oppression, and tortious interference with a business relationship.

"This is not an investor meeting—it's television."

"I'm there to help the business, not just the owner," says Lemonis of his critics, sitting in a conference room in Camping World's headquarters in the Chicago suburb of Lincolnshire, Illinois. "If the owner thinks that this is a free ride or this is like some meal ticket, I need to pump the brakes and stop." He describes business owners with whom he's had disputes over bad or broken deals as "entitled." Founders who do become success stories, he says, "gave more of themselves, worked harder, did the right things."

Small-business owners who haven't benefited from Lemonis's intervention describe a significantly different story. Perhaps the luckiest in this group are humiliated on international television and then harassed by an informal, vicious, and loyal group of *The Profit* fans. Multiple business owners report receiving death threats and intimidating phone calls for not taking a deal or talking back to Lemonis. Others needed to close their social media accounts due to the onslaught of explicit comments and fake negative reviews on Twitter, Yelp, and Facebook.

The unluckiest ones are those who take a deal with Lemonis that doesn't work out. Some participants claim that he promised on a handshake, and then walked away at the last minute only to criticize their business, or ability to run a business, hurting their reputation with customers and investors. Others claim he does a deal because he wants the business, brand, or real estate, but doesn't actually want them. If he likes your business and wants a piece, he will give you a loan, or he will take over your debt in exchange for equity. When you get in trouble and need more money to stay open or the pressure of the debt comes to a head, he's there to relieve you of that pressure by paying off your debt and taking over the company.

"Think vulture capitalist," says a former executive who worked for Lemonis. "He looks for companies that are desperate, flies in, and picks at the bones. At some point, you realize this guy on TV who says he's helping companies isn't the real deal."



Lemonis poses during a press shoot for season 1 of CNBC's "The Profit." GETTY IMAGES

Lemonis first learned the art of negotiation on a car lot in Florida. In 1995, after graduating from Marquette University with a degree in political science, he went to work for Anthony Abraham Chevrolet. Abraham, a relative, was also a multimillionaire businessman, philanthropist, and longtime employer of Lemonis's adoptive father, the dealership's director of parts and service. Abraham gave Lemonis a job as a car salesman, until Lemonis decided he had bigger ambitions—to run for Florida state representative.

He lost the bid, but while campaigning he says he met a lobbyist who worked for Wayne Huizenga. A college dropout-turned-billionaire, Huizenga had built garbage-hauling giant Waste Management from one garbage truck into the largest sanitation company in the country by acquiring smaller operators in an aggressive roll-up strategy. He later did the same with video rentals (Blockbuster) and cars (AutoNation). Lemonis took a job at Huizenga's AutoNation, eventually becoming its director of regional operations. "I learned a ton," Lemonis told *Inc.* back in 2014, of working for the legendary and shrewd Huizenga, who was sued early in his garbage-collection days by a

customer who alleged Huizenga grabbed his testicles during a dispute.

(Huizenga lost the case, but always denied the allegation. He died earlier this year.)

Lemonis first learned the art of negotiation on a Florida Chevrolet car lot.

As Lemonis tells it, in 2001 at the age of 27, thanks to Lee Iacocca, he became the president, and then CEO, of Holiday RV Superstores, a public company that sold RVs across the U.S. Iacocca—the legendary CEO of Ford and Chrysler and a Lemonis "family friend"—was a board member at Holiday RV and apparently advised him to ditch cars and instead focus on recreational vehicles, an industry that was ripe for consolidation. "Had I not met with Lee, I would have never went to work there," says Lemonis. But William Curtis, a board member of Holiday RV Superstores who was part of the team that hired Lemonis to run the company, says it was a friend of Anthony Abraham's, not Iacocca, who suggested they interview him. Questioned whether Iacocca had anything to do with Lemonis's ending up as CEO, Curtis burst into laughter. "That is a lie," says Curtis.

Lemonis often tells the story of being the turnaround agent at Holiday RV Superstores, which he describes as a struggling public company at the time he took over in 2001. According to public documents, by 2002, the company's sales and revenue had decreased by over 40 percent. Holiday RV had no access to credit to buy inventory and owed Bank of America millions of dollars, and

started borrowing money from companies owned by Stephen Adams, a billionaire whose company, Affinity Group, owned other RV-related businesses, including Camping World, Good Sam, and FreedomRoads. By the end of 2002, through a series of transactions, Adams became Holiday RV's majority shareholder and its primary secured lender. In January 2003, shortly before the company was delisted by Nasdaq, Lemonis resigned his CEO position. Within weeks, Lemonis started working for Adams's company. Months later, Holiday RV sued Lemonis for breach of fiduciary duty, and later that year filed a voluntary petition for bankruptcy. In 2004, a reorganization plan was approved in which an Adams company ended up owning all the common stock of Holiday RV.

Jumping ship from the insolvent Holiday RV to work for the flush Affinity Group provided an exit for Lemonis and gave him the opportunity to use Adams's resources to build what he had been unable to create at Holiday RV. He became CEO of FreedomRoads, which operated RV dealerships across the country. Lemonis says he helped FreedomRoads acquire some of the dealerships that Holiday was selling off before it filed for bankruptcy. He then went on to roll up dozens of RV dealerships for Adams. This is when Lemonis made a name for himself as a deft negotiator—giving successful mom-and-pop businesses around the country a choice: take a buyout or get run over by FreedomRoads. By September 2006, Lemonis was appointed CEO and president of Camping World. Five years later, Camping World merged with Adams's Good Sam, and the company went public in 2016.

After Lemonis's ascent from car salesman to CEO of Camping World, he surfaced on the reality TV circuit. In March 2011, Lemonis appeared on Donald Trump's *Celebrity Apprentice* as a "task sponsor," asking actor Gary Busey and others to build an RV experience for Camping World. The next year, Lemonis was on another episode, during which he assigned the contestants, including Arsenio Hall and Clay Aiken, the task of writing and performing a 90-second jingle for Good Sam Enterprises. In August 2012, Lemonis appeared on ABC's *Secret Millionaire*, going back to his hometown of Miami, where he pretends to be poor, only to surprise organizations with a big check. He also confronts painful childhood memories, revealing a new, vulnerable side on national television.

A year later, *The Profit* would launch on CNBC, becoming the network's most successful foray into reality television, and turning Lemonis into an overnight celebrity. (So much so that in 2017, CNBC launched a *Profit* spinoff called *The Partner*, positioned as a more humane version of *The Apprentice*.)

Lemonis finally had a perch from which to market his talents. In his 2014 interview with *Inc.*, Lemonis said he was never good at sports, and in college

he ran for student body president three times and lost. "I never had any dates. I didn't get invited to parties," Lemonis said. But his career taught him there was one arena in which he could outplay anyone—turning a profit. "The only thing I did well," Lemonis said, "was learn how to make money."

Swanson's Fish Market in Fairfield, Connecticut, was a local institution for 45 years. Gerard Swanson started the business in 1973 and grew it into five stores. He sold four of them 23 years later and his son Gary took over the original location. Before the Swansons appeared on *The Profit* in 2014, the business was pulling in around \$150,000 a month. But everything changed after Lemonis didn't get the deal he wanted from the family, says Larissa Swanson, Gary's daughter. "It was like clockwork. The day after the show aired, business started to decline," says Larissa. "The show destroyed us."

The Swansons did not come across well on *The Profit*. Their building had caught fire years prior and construction costs exceeded what insurance paid. They went on the show, looking for help to get out of a cycle of debt. But during the episode, Gary mistakenly said the insurance company paid \$1.2 million after the fire, when it paid only around \$900,000. "My dad was nervous and Marcus was just hammering him with questions," says Larissa. "He messed up on numbers." They did another take, but the episode shows Lemonis "catching" Gary in a lie—the implication being that the business owner may have committed arson and insurance fraud. Neither is true, says Larissa, who decided to break her nondisclosure agreement and speak to *Inc.*

"This contract says they will portray you however the hell they want."

As with any reality TV show, the journey on *The Profit* begins with signing away some of your rights. *Inc.* obtained the show's contract, which gives *The Profit*'s production company, Machete, and CNBC, the legal right to "portray [a] company in a false light" and to "edit, cut, rearrange, adapt, dub, revise, modify, fictionalize" what the business owners say. It also gives Machete the right to record with "hidden cameras" and expose a company and its employees to "public ridicule, humiliation, or condemnation."

Lemonis's investments are "simulated" too—the contract says Lemonis will hand the contestant a "prop check" to portray a "dramatic moment." (Another clause says if Lemonis wants to invest or loan the company money, that negotiation will happen off camera.) If Lemonis, or the show, hurts the company in any way, including but not limited to by giving bad business advice, participants forfeit the right to sue (they are required to enter arbitration if a dispute or claim arises). CNBC's Ackerman, a longtime reality TV creator, says the contract is boilerplate. "It's the sort of release you'd sign if you were on *The Bachelor*. The checks are legit," Ackerman insists, explaining that producers take the check back after shooting the scene, but companies eventually get the money. "The deals that are made on the show are legit."

Even for reality TV standards, *The Profit* contract is overly "aggressive" and founded on clauses that could result in the "abuse" of contestants, says one well-known reality TV producer. He says the hidden-camera clause, the false-light clause, and the ability to edit and dub what contestants say—"Franken-biting," in reality TV jargon—hark back to the golden age of reality TV shows like *Big Brother* and *Joe Millionaire*, based on manipulating contestants. Jonathan Handel, a lawyer in Los Angeles who represents documentary producers, says, "This contract says they will portray you however the hell they want. This is not something many people agree to unless they are desperate or ill-informed."

On the show, Lemonis offered the Swanson family \$1 million to buy their building, giving them an option to purchase it back from him. They decided to accept the handshake deal, and Lemonis told them to stop making mortgage payments because he would take them over in an effort to help the family. According to Larissa, Lemonis asked her to call their creditors and negotiate down debts, explaining he would pay the lowered bills too. "Lemonis promised, but he never came through with the payments," says Larissa. "It turned into a nightmare."

The show was filmed over the course of four months, she says, and by the last month the Swansons were underwater and the creditors were ready to sue for nonpayment. Larissa says she called Lemonis for help, and he came back with another offer: \$150,000 in cash in exchange for the title to their property. The family rejected the sharply reduced price on the advice of their lawyer and, just before the crew returned to finish up taping, the lender served a foreclosure notice. It turned out, according to Larissa, that Lemonis hadn't been making the payments on the mortgage, either. In the episode, Larissa says, Lemonis "finds out" that the Swansons are trying to sell him their property while it's in foreclosure. But he already knew, claims Larissa. "My parents just wanted help and Lemonis made my dad look like an arsonist and a liar who burned his building down," says Larissa.

Lemonis denies all of Larissa's claims and says everything that appeared on the Swansons' episode is exactly how it happened in real life. When asked if the Swansons were lying, he says: "It's their perspective. But as an investor, I'm entitled to my perspective. In my mind, the reasons I didn't invest were on the show. I didn't feel like people were straight."

After the show aired, business at Swanson's Fish Market plummeted and the family started getting death threats, obscene phone calls, and a flood of negative reviews online. Every time the episode ran, they'd get a new round of harassment from pro-Lemonis trolls. Larissa posted a message on the company's website explaining their side of the story, but within three years, business dwindled to a fraction of what it had been. A few days before

Christmas 2017, Swanson's Fish Market announced it was closing its doors. Gerard Swanson died the next day.

Back inside Camping World's headquarters, Lemonis is wearing leather Prada slip-ons without socks, and shaking a bottle of homemade cucumber-and-spinach green juice. I have a long list of questions for him, including some about the contract business owners have to sign before appearing on *The Profit*.

"I've never seen it," Lemonis says of the 14-page document. It's a contract with CNBC and the production company, he says, not him, which is technically true. "I'm not party to it."

I ask him about the simulated-investment clause—the one about deals on the show not being real deals—and why it's in the contract.

"You have to ask the network," he says. "I don't know what that means."

Pressed again, the veteran dealmaker insists he's never even looked at it. "My name's not on it, I'm not indemnified. There's nothing in there regarding me at all in the agreement." (His name is referenced in the document 52 times.).

According to business owners who have been on the show, along with former executives and employees who have worked with Lemonis, his most basic strategy is: I'm a provocateur. Lemonis identifies personnel problems or family issues—as he did with Chicago pizza joint Simply Slices in 2018—and inserts himself in the middle. The situation worsens and the founder needs to accommodate Lemonis by following his advice to get everything back on track. (With Simply Slices, Lemonis got involved in a family feud, which resulted in the father's ripping off his microphone and walking out of the episode.)

Or there's the soft coup strategy. He comes into your business, tells you what you're doing wrong, gets the employees on his side by promising them equity, says he'll make things better, and then declares, as he does in nearly every episode, that he's "100 percent in charge." The founder then needs to fight his

or her way back into control. In the episode with the Casery, which sells phone covers, Lemonis called the CEO a "smug prick" and an "asshole" who took advantage of his co-founders and made them "eat from a bag of shit." By the end of the show, the deal falls through, and the CEO's co-founders leave to join Lemonis to create a direct competitor.

"We asked him to help us with our business, not help himself to our business."

Then there's the dilution strategy, a former executive explains. As a multimillionaire, he can pour so much money into a company that he dilutes the owner's equity—creating a situation that requires owners to put up hundreds of thousands of dollars, take on debt, or deal with lower levels of ownership.

Michael Ference and Kathleen Kamouyerou Ference started My Big Fat Greek Gyro restaurant chain outside of Pittsburgh a decade ago. They grew it to three locations through franchising and wanted to expand even more, but they needed both capital and business guidance. When they first appeared on *The Profit* in 2014, Lemonis offered the Ferences a deal—\$350,000 for 55 percent of the business—and they accepted. After Lemonis cut a check on camera, the producers took it back. The Ferences were promised they would get the money, but before they did, the couple and Lemonis began to operate the business together on a handshake, without any paperwork or cash formally exchanging hands.

During the show, the Ferences mentioned they had trademark issues with "My Big Fat Greek Gyro." Over a dinner with Lemonis and some franchisees, the group came up with a new name—The Simple Greek. Then they got to work, and Lemonis paid to remodel three Simple Greek franchises, one of which was owned by the Ferences' sons. The Ferences claim in a legal filing that they helped launch stores, work with franchisees, and sell new Simple Greek franchise locations.



Kathleen Kamouyerou Ference and Michael Ference. CNBC

When the Ferences asked Lemonis for the \$350,000 he had promised for the 55 percent equity stake in their company, Lemonis, they say, told them he had already spent it on remodeling and rebranding. But, he assured them, royalties would be coming. Months later, to their shock, the Ferences found out Lemonis had already incorporated The Simple Greek LLC in 2015, installing the president of Lemonis's own ML Foods as its president. The Ferences were not part of the new company and not acknowledged as owners in any legal documents. By August 2016, after a dispute over the paperwork to finalize the deal, the Ferences received notice that the deal was off, and they had no further rights to royalties for The Simple Greek. They're now suing and hoping for a jury trial. "We asked him to help us with our business, not help himself to our business," says Michael Ference.

For his part, Lemonis says he did not invest in My Big Fat Greek Gyro; he invested \$7 million in an entirely different and new company, The Simple Greek. He says he has "no problem" with the Ferences being partners with him, but he put \$7 million into the business, so they either put in their ratable portion of capital or they will "have \$6.65 million worth of debt in front of them," Lemonis says. "We're partners. Why do you just get to hold onto equity for free? It doesn't work that way."

He also wants to "force a trial" because he is confident the facts will show the Ferences did not contribute to building the new company and were just

looking for a "free ride."

"They didn't develop the line, they didn't build out the stores, they didn't develop the concept, they didn't create the POS, they didn't file the FTD, they didn't do any of it," he says. "So you want me to give you a percentage because I walked into your frozen food gyro store in Pittsburgh?"

David Slomski, the Ferences' attorney, sums up his clients' experience: "The Ferences had thriving businesses and if they'd never met Lemonis, they would've still had these thriving businesses," he says. "Then they meet Lemonis, and now they have nothing."

If you watch *The Profit*, you'll see tears in nearly every episode. One of Lemonis's talents is that he knows how to excavate someone's pain, bring it to the surface, and create a bond by expressing his own painful memories. Within the first 10 minutes of each episode, Lemonis will identify someone's emotional soft spot and dig in—maybe this person's mother passed recently, or

he was raised by his sister, or her husband died tragically—and this pain is causing bad business decisions.

Part of Lemonis's allure is that he is a relatable guy who freely confesses his own vulnerabilities. In June 2015, during that joint conference with *Inc.* and CNBC, Lemonis told the audience that a family member molested him when he was a kid. He also admitted that his biggest fear is that people will find out that he's not as smart as they believe him to be and how he could die alone. "I'm wildly insecure," he said in June 2015. In the *Secret Millionaire* episode, Lemonis admitted he was bullied as a kid. "When I was in grade school and middle school, I was pretty heavy, I was about 200 pounds. I was the fat kid who was picked on. It was hard," Lemonis revealed.

When I tell Lemonis that many founders now describe him as a bully, he says they are confused by what bullying actually means. "I don't know if people think if they don't get their way or when they can be lazy, or not do what they are supposed to do, and they are held accountable, if that's bullying," he says. "I am sad to hear that."

The bullying, say founders, isn't in Lemonis's tough talk. It's his wielding of aggressive financial tactics. In 2016, Inkkas, a hip, Brooklyn-based shoe company with growing brand cachet, was doing almost \$2 million in revenue, but was saddled with \$350,000 in debt. On *The Profit*, Lemonis offered the co-founders—brothers Daniel and David Ben-Nun, and friend David Malino—a deal: \$600,000 for a 40 percent equity stake of the company.

But when the cameras stopped rolling and the real negotiations began, Lemonis gave the company \$100,000 without a contract. Over the next month, he gave more money, but then abruptly switched gears: Lemonis would be a lender, not an equity investor, and asked them to sign a promissory note with aggressive lending terms. He gave the co-founders, already overwhelmed by the preexisting debt Daniel was personally liable for, hundreds of thousands of dollars in loans, under the condition that the money was "due on demand." At any moment, Lemonis could decide the co-founders had to pay him back. If they couldn't pull together the cash, he was entitled to all the company's intellectual property, trademarks, and other assets. After more rounds of negotiations, says Malino, Daniel was demoralized and "didn't have a lot of leverage."



Marcus Lemonis and Inkas co-founder Dan Ben-Nun. [CNBC](https://www.cnn.com/2018/05/01/business/marcus-lemonis-inkas/index.html)

Lemonis's final act of generosity? He told the co-founders that if they gave him 100 percent of the company's equity, he'd let them walk away debt-free. In August 2016, eight months after first meeting Lemonis, the Ben-Nun brothers gave up the business they had built from the ground up. (Malino still works for Lemonis, and was the only Inkkas co-founder who spoke to *Inc.*) "His strategy is to give you money that you think is an investment but it's really debt, and he forces insolvency to seize control," says Adam Eisenman, a Ben-Nun family friend whose father invested in Inkkas and is now suing Lemonis for breach of contract, fraud, and unjust enrichment. "Eventually, Lemonis says you owe me so much money and if you don't give me control of the entire company, I'll go after you."

The way Lemonis sees it, the opportunity he offers small-business owners in turmoil, including the Ben-Nun brothers, is theirs to lose. Even though *The Profit* is pitched as a lifeline for small-business owners, it turns out that dealing with Lemonis is more like *Big Brother* than *Shark Tank*. "I would describe it as a giant social experiment," he says of his show. "It is odd to me that the same

opportunity can be presented to two different people and how they handle it can be so vastly different."



Inc. helps entrepreneurs change the world. Get the advice you need to start, grow, and lead your business today. [Subscribe here](#) for unlimited access.

AUG 13, 2018

READ NEXT

TAKING CARE